

May 19, 2016

Market Commentary: The SGD curve traded upward yesterday, with the short-term rates trading 6bps higher, while the belly-to-long end rates trading 4-5bps higher. Flows in the SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s, NAB 4.15%'28s, GENSSP 5.13%'49s, STANLN 4.4%'26s, BAERVX 4.9%'49s, and better sellers in OLAMSP 4.25%'19s and MLTSP 4.18%'49s. Meanwhile we also saw mixed interest in UOBSP 4%'49s, MFCCN 3.85%'26s and GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 224bps, while the yield on JACI HY Corporates was level at 7.19%. 10y UST increased sharply by 9bps to 1.85% on the release of April's FOMC minutes which kept the door open for a June rate hike.

New Issues: 361 Degrees has scheduled investor meetings in Hong Kong, Singapore and London for a potential USD bond. CCB Financial Leasing has also scheduled investor meetings in Hong Kong, Singapore and London over May 19-23 for a potential USD bond. Axis Bank Ltd has appointed joint bookrunners for a USD green bond offering with expected issue ratings of "BBB-/Baa3/--". The Export-Import Bank of Korea priced a 3 part deal yesterday, with the USD500mn 3-year bond priced at 3mL+70bps, USD1bn 3-year bond priced at CT3+77.5bps, tightening from its initial guidance of CT3+95bps and USD1bn 10-year bond priced at CT10+82.5bps, tightening from its initial guidance of CT10+105bps. The expected issue ratings are "AA-/Aa2/AA-".

Rating Changes: S&P reaffirmed its credit rating on Falcon Hong Kong of "A-". The reaffirmation reflects its view that the revised guarantee that Odyssey Reinsurance Co. provides to Falcon HK meets all the conditions specified in S&P's guarantee criteria. Outlook is stable. Moody's reaffirmed Honda's "A1" rating but changed its outlook from stable to negative. The outlook change follows the company's announcement of its results for the fiscal year ended March 2016 and its forecast for FY 2017. S&P downgraded its credit rating on Ricoh Company Ltd. to "A-" from "A", citing its weakened competitive advantage and profitability as the main reasons. The outlook is negative.

Table 1: Key Financial Indicators

	19-May	1W chg (bps)	1M chg (bps)		19-May	1W chg	1M chg
iTraxx Asiax IG	144	1	8	Brent Crude Spot (\$/bbl)	48.65	1.19%	10.49%
iTraxx SovX APAC	54	1	-2	Gold Spot (\$/oz)	1,259.70	-0.32%	0.76%
iTraxx Japan	71	-2	-3	CRB	185.40	1.13%	4.20%
iTraxx Australia	131	-3	-1	GSCI	369.98	2.45%	7.69%
CDX NA IG	84	3	8	VIX	15.95	8.58%	20.47%
CDX NA HY	102	-1	-2	CT10 (bp)	1.849%	9.70	6.35
iTraxx Eur Main	78	1	7	USD Swap Spread 10Y (bp)	-15	-1	-1
iTraxx Eur XO	329	2	25	USD Swap Spread 30Y (bp)	-49	-1	-3
iTraxx Eur Snr Fin	99	2	12	TED Spread (bp)	34	-3	-9
iTraxx Sovx WE	26	0	-1	US Libor-OIS Spread (bp)	18	-6	-7
iTraxx Sovx CEEMEA	139	6	11	Euro Libor-OIS Spread (bp)	9	0	-1
					19-May	1W chg	1M chg
				AUD/USD	0.722	-1.47%	-7.63%
				USD/CHF	0.988	-1.77%	-2.64%
				EUR/USD	1.122	-1.36%	-1.20%
				USD/SGD	1.383	-0.69%	-3.27%
Korea 5Y CDS	65	2	3	DJIA	17,527	-1.04%	-2.92%
China 5Y CDS	128	2	10	SPX	2,048	-0.82%	-2.53%
Malaysia 5Y CDS	163	6	1	MSCI Asiax	480	-0.90%	-6.87%
Philippines 5Y CDS	116	3	21	HSI	19,826	-1.14%	-7.51%
Indonesia 5Y CDS	194	10	1	STI	2,777	1.62%	-5.92%
Thailand 5Y CDS	123	-1	3	KLCI	1,636	-0.54%	-4.41%
				JCI	4,734	-1.37%	-3.02%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
18-May-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD500mn	3-year	3mL+70bps
18-May-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD1bn	3-year	CT3+77.5bps
18-May-16	Export-Import Bank of Korea	AA-/Aa2/AA-	USD1bn	10-year	CT10+82.5bps
17-May-16	Lendlease Group	BBB-/Baa3/BBB-	USD400mn	10-year	CT10+280bps
16-May-16	Manulife Financial	A-/NR/NR	SGD500mn	10NC5	3.85%
16-May-16	ICBC Hong Kong	A/A1/NR	USD500m	3-year	CT3+107.5bps
16-May-16	Mapletree Logistic Trust	NR/NR/NR	SGD250mn	PerpNC5.5	4.18%
12-May-16	National Australia Bank Ltd	BBB+/A3/NR	SGD450mn	12-year	4.15%

Source: OCBC, Bloomberg

Credit Headlines:

Singapore Post Limited ("SPOST"): SPOST filed that the Accounting and Corporate Regulatory Authority ("ACRA") has on 18/05/16 required SPOST to furnish to ACRA the full special audit report over SPOST's corporate governance issues, as ACRA is commencing investigations into possible breaches of the Companies Act as highlighted in the special audit report. It is worth noting that in a separate filing, the former CEO of SPOST (who abruptly resigned at the end of 2015) sold down 2/3 of his original stake in SPOST for ~SGD4mn (on 16/05/16). SPOST is still currently seeking for a replacement for the role of CEO. (Company, OCBC)

Yanlord Land Group Ltd ("Yanlord"): Yanlord entered into a JV with Ping An Insurance, Tianjin Realty Development and Beijing Capital Land to develop a site in Tianjin. Yanlord will have a 25% stake in the JV which will acquire a 351,338 sqm site in the Tianjin Hong Qiao District for RMB2.37bn (~RMB600mn attributable to Yanlord) which translates to RMB6,757 per sqm. This is in-line with our expectations for Yanlord to replenish its land reserves this year having been cautious in the land market in 2014-2015 and after strong contracted sales and deliveries in 2015 depleted its land reserves (2015: 4.07mn sqm, 2014: 4.87mn sqm, 2013: 5.14mn sqm). The company has already acquired a 333,280 sqm site in the Longgang District in Shenzhen for RMB1.59bn in January 2016 and 2 parcels in Tianjin with GFA of 262,100 sqm for RMB1.97bn in March 2016 and we expect further land acquisitions this year. We still have a Positive issuer profile on Yanlord and a Neutral on the YLLGSP 6.2% '17s (yield: 3.88%, i-spread: 238bps). (Company, OCBC)

Soilbuild REIT ("SBREIT"): SBREIT today announced that its Trustee has filed a writ of summons and statement of claim against Technics Offshore Engineering Pte Ltd & its guarantor, parent company Technics Oil & Gas Limited ("Technics") with the High Court of Singapore. Technics' current major shareholder (holding ~29% stake in the company) is Malaysian-listed Eversendai Corp. Technics Building was acquired by SBREIT under a sales and leaseback arrangement in the middle of last year for SGD98mn. The rent from this property makes up about 10% of gross revenue in 1Q2016. SBREIT's claims include (i) rental in arrears of SGD2.2mn (ii) Security deposit for the second year of the lease amounting to SGD11.8mn (iii) interest rate of 8% p.a until date of full payment in accordance with lease agreement (iv) continuing amounts pursuant to the lease agreement (v) legal and other costs. SBREIT currently holds a bank guarantee amounting to SGD11.8m (equivalent to 18 months of rent) which should "make-whole" SBREIT for the rest of the year, in our view. Assuming no rental income from Technics Building next year, SBREIT's EBITDA/Interest may fall to 2.9x, (1Q2016: 4.7x). Earlier in April 2016, SBREIT issued a new SGD100m bond at 3.6%. Factoring the dual impact of higher interest and lack of rental from Technics Building, EBITDA/Interest could go to 2.3x next year. We do not officially cover SBREIT. (Company, OCBC)

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